

AMENDED IN ASSEMBLY APRIL 16, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1118

Introduced by Assembly Member Corbett
(Coauthors: Assembly Members Chavez, Strom-Martin, and Washington)
(Coauthors: Senators Alarcon, Figueroa, and Margett)

February 23, 2001

An act to add and repeal Sections 17059 and 23643 of the Revenue and Taxation Code, ~~relating to seismic safety, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.~~ *and to amend Section 3 of Chapter 899 of the Statutes of 1995, relating to seismic activity, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1118, as amended, Corbett. Seismic safety: insurance: tax credits: retrofitting.

Existing law requires the Department of Insurance to establish a program for residential grants and loans to help pay for the retrofitting of high-risk residential dwellings owned or occupied by low- and moderate-income households, in order to minimize the risk of earthquake damage to those dwellings and thereby reduce the costs of residential earthquake insurance. Existing law appropriates ~~\$4,400,000~~ *\$7,800,000, in specified maximum annual installments,* from the California Residential Earthquake Recovery Fund to the Department of Insurance for the purposes of the program. The funds ~~were~~ *are* available until July 1, ~~2000~~ *2003*.

This bill would *also* appropriate the entire amount of ~~interest earnings funds~~ not previously appropriated from the California Earthquake Recovery Fund, not to exceed \$1,500,000, and \$2,500,00 from the General Fund, to the Department of Insurance for purposes of the program. The bill would provide that ~~the amount would be these amounts and amounts appropriated by existing law are~~ available for expenditure until December 1, 2007.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2002, and before January 1, 2007, in an amount equal to 55% of the amount paid or incurred during the taxable year for seismic retrofit construction on residential dwellings constructed prior to 1979.

The bill would also require the Franchise Tax Board to report on the effectiveness of the tax credit in increasing seismic retrofitting.

~~This bill would take effect immediately as an urgency statute.~~

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature hereby finds and declares all of
2 the following:

3 (a) Because the State of California is the most seismically
4 active state in the nation and stands as the seventh largest economy
5 in the world, it is crucial that we protect against social and
6 economic disruptions and loss of life caused by major earthquakes.

7 (b) There exist some programs for financing the seismic
8 retrofit of homes and property vulnerable to earthquakes that have
9 had very limited success in reducing the state's exposure to
10 earthquake losses.

11 (c) The financial incentive of an income tax credit or a grant to
12 encourage seismic retrofits would reduce social and economic
13 disruptions and reduce the loss of life and property caused by
14 earthquakes.

15 (d) It is in the fiscal interest of the state to encourage mitigation
16 activities, such as retrofitting structures, by private citizens to
17 minimize the economic losses related to major earthquakes
18 occurring in California.



1 (e) Many homeowners could significantly reduce their risk of
2 loss from the peril of earthquake by retrofitting their homes in
3 conformance with appropriate building and safety codes.

4 (f) Reduced earthquake insurance premiums, reduced
5 deductibles, or increased coverage may be feasible as a result of
6 home retrofits that reduce the risks associated with earthquake
7 damage.

8 (g) It is in the public interest to provide financial support to help
9 the owners of residential dwellings, particularly low- and
10 moderate-income households, who reside in high-risk dwellings,
11 pay for costs of home retrofits to help reduce the risk of damages
12 caused by earthquakes.

13 SEC. 2. Section 17059 is added to the Revenue and Taxation
14 Code, to read:

15 17059. (a) For each taxable year beginning on or after
16 January 1, 2002, and before January 1, 2007, there shall be allowed
17 a credit against the “net tax,” as defined in Section 17039, in an
18 amount equal to 55 percent of the cost paid or incurred by the
19 taxpayer during the taxable year for any seismic retrofit
20 construction on single-family residential structures or
21 multiple-family residential structures that were constructed prior
22 to 1979 and are located in California. The credit allowed may not
23 exceed three thousand dollars (\$3,000) for each single-family
24 residential structure or two thousand five hundred dollars (\$2,500)
25 for each dwelling unit in a multiple-family residential structure.

26 (b) For purposes of this section:

27 (1) “Single-family residential structure” means a building that
28 is intended for residential use by one family. This term also
29 includes mobilehomes intended for residential use by one family.

30 (2) “Multiple-family residential structure” means a duplex,
31 apartment building, condominium, cooperative, or other similar
32 structure with multiple dwelling units.

33 (3) “Dwelling unit” means an individual residence located in
34 a multiple-family residential structure.

35 (4) “Seismic retrofit construction” means changes or additions
36 to the structure or other attached improvements of a single-family
37 or multiple-family residential structure to mitigate seismic
38 damage, including:

39 (A) Anchoring the structure to the foundation.

40 (B) Bracing cripple walls.

1 (C) Bracing hot water heaters.

2 (D) Installing automatic gas shutoff valves.

3 (E) Repairing or reinforcing the foundation to improve the
4 integrity of the foundation against seismic damage.

5 (F) Anchoring fuel storage.

6 (G) Installing an earthquake-resistant bracing system for
7 mobilehomes that is certified by the California Department of
8 Housing and Community Development.

9 (c) For purposes of this section, “seismic retrofit construction”
10 does not include construction activities performed solely to bring
11 a single-family or multiple-family residential structure into
12 compliance with standard local building codes.

13 (d) (1) In order to qualify for the credit allowed by this section,
14 seismic retrofit construction of a light, wood-frame dwelling of
15 Group R, Division 3 Occupancy and Group R, Division 1
16 Occupancy with four or fewer dwelling units, as defined in the
17 California Building Standards Code, shall comply with Appendix
18 Chapter 6 of the 1997 Edition of the Uniform Code for Building
19 Conservation published by the International Conference of
20 Building Officials. Seismic retrofit construction of an apartment,
21 condominium, or congregate residence, as defined in Section 204
22 of the Uniform Building Code, of Group R, Division 1 Occupancy
23 with more than four dwelling units, as defined in the California
24 Building Standards Code, shall be designed by a licensed architect
25 or registered civil engineer.

26 (2) To be eligible for the credit under this section, the taxpayer
27 shall do all of the following:

28 (A) Obtain certification from the appropriate jurisdiction with
29 authority for building code enforcement that the seismic retrofit
30 construction was in compliance with paragraph (1) of subdivision
31 (d) of this section.

32 (B) Retain for his or her records a copy of the certification
33 specified in subparagraph (A) of this paragraph.

34 (C) Provide a copy of the certification specified in
35 subparagraph (A) of this paragraph to the Franchise Tax Board
36 upon request.

37 (3) If the taxpayer fails to comply with the requirements of
38 paragraph (2), unless it is shown that the failure to comply is due
39 to reasonable cause and not due to willful neglect, no credit may
40 be allowed to that taxpayer under this section with respect to the

1 costs paid or incurred for seismic retrofit construction to which
2 that failure relates.

3 (e) No credit may be allowed under this section to a taxpayer
4 that is a single individual or a married individual filing a separate
5 return with adjusted gross income in excess of fifty thousand
6 dollars (\$50,000). No credit may be allowed under this section to
7 a taxpayer that is a husband and wife filing a joint return, a
8 surviving spouse (as defined in Section 17046), or a head of
9 household taxpayer with adjusted gross income in excess of one
10 hundred thousand dollars (\$100,000).

11 (f) For purposes of computing the credit provided by this
12 section, the seismic retrofit construction cost shall be reduced by
13 any grant provided by a public entity for the retrofit construction.

14 (g) If the credit allowed under this section exceeds the “net
15 tax,” the excess may be carried over to reduce the “net tax” in the
16 following year, and the seven succeeding years if necessary, until
17 the credit is exhausted.

18 (h) This section shall remain in effect only until December 1,
19 2007, and as of that date is repealed.

20 SEC. 3. Section 23643 is added to the Revenue and Taxation
21 Code, to read:

22 23643. (a) For each taxable year beginning on or after
23 January 1, 2002, and before January 1, 2007, there shall be allowed
24 a credit against the “tax,” as defined in Section 23036, in an
25 amount equal to 55 percent of the cost paid or incurred by the
26 taxpayer during the taxable year for any seismic retrofit
27 construction on single-family residential structures or
28 multiple-family residential structures that were constructed prior
29 to 1979 and are located in California. The credit allowed shall not
30 exceed three thousand dollars (\$3,000) for each single-family
31 residential structure or two thousand five hundred dollars (\$2,500)
32 for each dwelling unit in a multiple-family residential structure.

33 (b) For purposes of this section:

34 (1) “Single-family residential structure” means a building that
35 is intended for residential use by one family. This term also
36 includes mobilehomes intended for residential use by one family.

37 (2) “Multiple-family residential structure” means a duplex,
38 apartment building, condominium, cooperative, or other similar
39 structure with multiple dwelling units.

1 (3) “Dwelling unit” means an individual residence located in
2 a multiple-family residential structure.

3 (4) “Seismic retrofit construction” means changes or additions
4 to the structure or other attached improvements of a single-family
5 or multiple-family residential structure to mitigate seismic
6 damage, including, but not limited to, the following:

7 (A) Anchoring the structure to the foundation.

8 (B) Bracing cripple walls.

9 (C) Bracing hot water heaters.

10 (D) Installing automatic gas shutoff valves.

11 (E) Repairing or reinforcing the foundation to improve the
12 integrity of the foundation against seismic damage.

13 (F) Anchoring fuel storage.

14 (G) Installing an earthquake-resistant bracing system for
15 mobilehomes that is certified by the California Department of
16 Housing and Community Development.

17 (c) For purposes of this section, “seismic retrofit construction”
18 does not include construction activities performed solely to bring
19 a single-family or multiple-family residential structure into
20 compliance with standard local building codes.

21 (1) In order to qualify for the credit allowed by this section,
22 seismic retrofit construction of a light, wood-frame dwelling of
23 Group R, Division 3 Occupancy and Group R, Division 1
24 Occupancy with four or fewer dwelling units, as defined in the
25 California Building Standards Code, shall comply with Appendix
26 Chapter 6 of the 1997 Edition of the Uniform Code for Building
27 Conservation published by the International Conference of
28 Building Officials. Seismic retrofit construction of an apartment,
29 condominium, or congregate residence, as defined in Section 204
30 of the Uniform Building Code, of Group R, Division 1 Occupancy
31 with more than four dwelling units, as defined in the California
32 Building Standards Code, shall be designed by a licensed architect
33 or registered civil engineer.

34 (2) To be eligible for the credit under this section the taxpayer
35 shall do all of the following:

36 (A) Obtain certification from the appropriate jurisdiction with
37 authority for building code enforcement that the seismic retrofit
38 construction was in compliance with paragraph (1) of subdivision
39 (d) of this section.

1 (B) Retain for its records a copy of the certification specified
2 in subparagraph (A) of this paragraph.

3 (C) Provide a copy of the certification specified in
4 subparagraph (A) of this paragraph to the Franchise Tax Board
5 upon request.

6 (3) If the taxpayer fails to comply with the requirements of
7 paragraph (2), then, unless it is shown that the failure to comply
8 is due to reasonable cause and not due to willful neglect, no credit
9 may be allowed to that taxpayer under this section with respect to
10 the costs paid or incurred for seismic retrofit construction to which
11 that failure relates.

12 (e) No credit shall be allowed under this section to a taxpayer
13 with gross receipts, less returns and allowances, reportable to this
14 state of more than one million dollars (\$1,000,000).

15 (f) For purposes of computing the credit provided by this
16 section, the seismic retrofit construction cost shall be reduced by
17 any grant provided by a public entity for the retrofit construction.

18 (g) If the credit allowed under this section exceeds the “tax,”
19 the excess may be carried over to reduce the “tax” in the following
20 year, and the seven succeeding years if necessary, until the credit
21 is exhausted.

22 (h) This section shall remain in effect only until December 1,
23 2007, and as of that date is repealed.

24 SEC. 4. On or before January 1, 2006, and to the extent data
25 are available, the Franchise Tax Board, in consultation with the
26 Seismic Safety Commission, shall prepare and submit to the
27 Legislature a report on the effectiveness of the tax credit program,
28 established by this act, in increasing the rate of seismic retrofitting
29 of homes and apartment buildings covered by this act. The report
30 shall include recommendations regarding the value of continuing
31 the seismic tax credit program to the state’s public protection and
32 disaster preparedness.

33 SEC. 5. (a) The entire amount of ~~interest earnings funds~~ not
34 previously appropriated, not to exceed one million five hundred
35 thousand dollars (\$1,500,000), is appropriated from the California
36 Residential Earthquake Recovery Fund to the Department of
37 Insurance for the program established pursuant to Chapter 899 of
38 the Statutes of 1995.

39 (b) The sum of two million five hundred thousand dollars
40 (\$2,500,000) is appropriated from the General Fund to the

1 Department of Insurance for the program established pursuant to
2 Chapter 899 of the Statutes of 1995.

3 (c) Money appropriated by this section is available for
4 expenditure until December 1, 2007.

5 ~~SEC. 6. This act is an urgency statute necessary for the~~
6 ~~immediate preservation of the public peace, health, or safety~~
7 ~~within the meaning of Article IV of the Constitution and shall go~~
8 ~~into immediate effect. The facts constituting the necessity are:~~

9 ~~In order to facilitate the issuance of grants and loans to provide~~
10 ~~protection to homeowners from earthquake loss and injury~~
11 ~~through retrofitting of homes in areas with a high risk of~~
12 ~~earthquake, and to continue an earthquake mediation program, it~~
13 ~~is necessary that this act take effect immediately.~~

14 *SEC. 6. Section 3 of Chapter 899 of the Statutes of 1995, as*
15 *amended by Section 3 of Chapter 796 of the Statutes of 1999, is*
16 *amended to read:*

17 Sec. 3. The sum of four million four hundred thousand dollars
18 (\$4,400,000) is appropriated from the California Residential
19 Earthquake Recovery Fund to the Department of Insurance for the
20 program established pursuant to this act. During the second half of
21 the 1995-96 fiscal year, the Department of Insurance may use up
22 to one hundred fifty-nine thousand dollars (\$159,000) for costs of
23 initial implementation and administration of the program. During
24 the 1996-97 and 1997-98 fiscal years, no more than two hundred
25 thousand dollars (\$200,000) per fiscal year may be used by the
26 department to administer this program. Thereafter, no more than
27 two hundred sixty-five thousand dollars (\$265,000) per fiscal year
28 may be used by the department to administer this program.
29 Thereafter, no more than two hundred sixty-five thousand dollars
30 (\$265,000) per fiscal year may be used by the department to
31 administer the program.

32 Money appropriated by this section shall be available for
33 expenditure until ~~July 1, 2003~~ *December 1, 2007*. On and after that
34 date, the program established by Chapter 899 of the Statutes of
35 1995 shall no longer be operative.